

State of South Carolina



Office of the State Auditor

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February 25, 2003

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

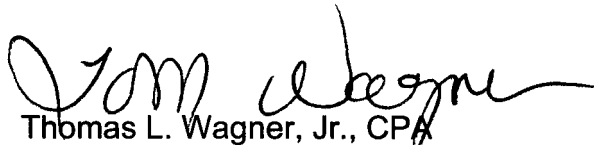
Re: AC# 3-MAS-J0 – Pinnacle Care Corp. of Seneca d/b/a Mariner Health Care of Seneca

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**PINNACLE CARE CORP. OF SENECA
D/B/A MARINER HEALTH CARE OF SENECA**

SENECA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-MAS-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

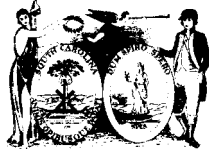
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 14, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Pinnacle Care Corp. of Seneca d/b/a Mariner Health Care of Seneca, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Pinnacle Care Corp. of Seneca d/b/a Mariner Health Care of Seneca is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

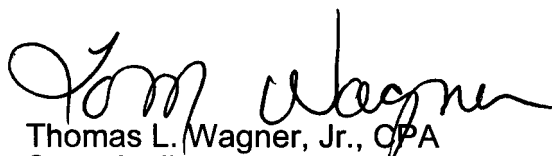
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Pinnacle Care Corp. of Seneca d/b/a Mariner Health Care of Seneca, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Pinnacle Care Corp. of Seneca d/b/a Mariner Health Care of Seneca dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 14, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MARINER HEALTH CARE OF SENECA

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-MAS-J0

10/01/01-
09/30/02

Interim Reimbursement Rate (1)	\$99.88
Adjusted Reimbursement Rate	<u>96.89</u>
Decrease in Reimbursement Rate	\$ <u><u>2.99</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MARINER HEALTH CARE OF SENECA
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-MAS-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$46.43	\$58.02	
Dietary		9.63	10.74	
Laundry/Housekeeping/Maintenance		<u>8.87</u>	<u>9.23</u>	
Subtotal	<u>\$5.46</u>	64.93	77.99	\$64.93
Administration & Medical Records	<u>\$ -</u>	<u>14.99</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		79.92	<u>\$89.46</u>	76.40
<u>Costs Not Subject to Standards:</u>				
Utilities		2.93		2.93
Special Services		.06		.06
Medical Supplies & Oxygen		2.90		2.90
Taxes and Insurance		1.61		1.61
Legal Fees		<u>.23</u>		<u>.23</u>
TOTAL		<u>\$87.65</u>		84.13
Inflation Factor (3.80%)				3.20
Cost of Capital				7.43
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.46
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.71)
Nurse Aide Staffing Add-On 10/01/00				<u>.38</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$96.89</u>

MARINER HEALTH CARE OF SENECA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,253,910	\$ -	\$ 12,547 (3) 23,781 (7)	\$2,217,582
Dietary	460,031	-	-	460,031
Laundry	102,269	-	-	102,269
Housekeeping	194,629	825 (5)	826 (6)	194,628
Maintenance	125,739	1,033 (3) 525 (5)	529 (6)	126,768
Administration & Medical Records	702,211	24,928 (4) 512 (5)	11,259 (3) 459 (6)	715,933
Utilities	139,907	8 (3) 583 (5)	584 (6)	139,914
Special Services	2,997	-	-	2,997
Medical Supplies & Oxygen	154,086	-	3,003 (4) 12,345 (7)	138,738
Taxes and Insurance	134,195	545 (5)	57,356 (2) 37 (3) 312 (6)	77,035
Legal Fees	10,891	10 (5)	9 (6)	10,892
Cost of Capital	385,554	585 (5)	581 (1) 30,084 (3) 461 (6) 28 (8)	354,985
Subtotal	4,666,419	29,554	154,201	4,541,772
Ancillary	115,207	4,369 (7)	-	119,576

MARINER HEALTH CARE OF SENECA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	28,693	581 (1)	3,585 (5)	170,896
		57,356 (2)		
		52,886 (3)		
		3,180 (6)		
		31,757 (7)		
		28 (8)		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	<u>\$4,810,319</u>	<u>\$179,711</u>	<u>\$157,786</u>	<u>\$4,832,244</u>
Total Patient Days	<u>47,761</u>	<u>-</u>	<u>-</u>	<u>47,761</u>
Total Beds	<u>132</u>			

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$409,231	
	Nonallowable	581	
	Accumulated Depreciation		\$362,474
	Other Equity		46,757
	Cost of Capital		581
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	57,356	
	Taxes and Insurance		57,356
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Maintenance	1,033	
	Utilities	8	
	Nonallowable	52,886	
	Nursing		12,547
	Administration		11,259
	Taxes and Insurance		37
	Cost of Capital		30,084
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Administration	24,928	
	Miscellaneous Income		21,925
	Medical Supplies		3,003
	To reclassify Provider income offset HIM-15-1, Section 2304		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	825	
	Maintenance	525	
	Administration	512	
	Legal 10		
	Utilities	583	
	Taxes and Insurance	545	
	Cost of Capital	585	
	Nonallowable		3,585
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable	3,180	
	Housekeeping		826
	Maintenance		529
	Administration		459
	Legal		9
	Utilities		584
	Taxes and Insurance		312
	Cost of Capital		461
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Ancillary	4,369	
	Nonallowable	31,757	
	Nursing		23,781
	Medical Supplies		12,345
	To remove special (ancillary) services reimbursed by Medicare and reclassify prescription drug expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable Cost of Capital	28	28
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$588,942</u>	<u>\$588,942</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MARINER HEALTH CARE OF SENECA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>132</u>
Deemed Asset Value	4,916,472
Improvements Since 1981	1,183,808
Accumulated Depreciation at 9/30/00	<u>(1,919,788)</u>
Deemed Depreciated Value	4,180,492
Market Rate of Return	<u>.058</u>
Total Annual Return	242,469
Return Applicable to Non-Reimbursable Cost Centers	(981)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	241,488
Depreciation Expense	141,806
Amortization Expense	348
Capital Related Income Offsets	(28,196)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(461)</u>
Allowable Cost of Capital Expense	354,985
Total Patient Days (Actual)	<u>47,761</u>
Cost of Capital Per Diem	\$ <u><u>7.43</u></u>

MARINER HEALTH CARE OF SENECA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MAS-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.03</u>
Reimbursable Cost of Capital Per Diem	\$ 7.43
Cost of Capital Per Diem	<u>7.43</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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